

M I N U T E S
SCOTTSDALE CITY COUNCIL
CITY COUNCIL MEETING
Tuesday, February 5, 2002

**The Kiva
City Hall
Scottsdale, Arizona**

MINUTES
SCOTTSDALE CITY COUNCIL
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CALL TO ORDER (IN CITY HALL KIVA FORUM)

Mayor Manross called to order the Regular Meeting of the Scottsdale City Council on Tuesday, February 5, 2002 in the Kiva, City Hall, at 5:05 P.M.

ROLL CALL

Present: Mayor Mary Manross
Vice Mayor Tom Silverman
Council Members Ned O'Hearn, David Ortega, Robert Pettycrew, and Cynthia Lukas

Also Present: City Manager Jan Dolan
City Attorney David Pennartz
City Clerk Sonia Robertson

Absent: Councilman George Zraket

PLEDGE OF ALLEGIANCE

Vice Mayor Tom Silverman led the audience in the pledge of allegiance.

INVOCATION

Pastor Steve Johnson of Mosaic Bible Church of Scottsdale offered the invocation.

PUBLIC COMMENT

Marion Murray, (no address given), questioned if the Convention and Visitors Bureau advertising policy regarding hotels is in the best interest of the City. She pointed out an article in the Tribune indicating that hotels outside the City limits are being advertised. She questioned how much money these hotels are contributing in the form of bed taxes to the City. She asked for more information on the matter and asked the City to address this matter.

ITEMS CONTINUED FROM MONDAY, FEBRUARY 4, 2002

BOARDS AND COMMISSIONS

Transportation Commission (1)

Vice Mayor Silverman noted that no special qualifications are necessary for the open position and with that, he opened the floor for nominations.

Councilman Ortega nominated Jeffrey Schwartz.

Since no other nominations were received, Vice Mayor Silverman closed the floor for nominations and called for the vote.

Jeffrey Schwartz was appointed to the Transportation Commission by unanimous vote.

MINUTES

SPECIAL MEETINGS

January 22, 2002
January 28, 2002

REGULAR MEETINGS

January 22, 2002

EXECUTIVE SESSIONS

November 5, 2001
November 13, 2001
December 3, 2001
January 7, 2002
January 22, 2002
January 28, 2002

COUNCILWOMAN LUKAS MOVED TO APPROVE THE SPECIAL MEETING MINUTES FOR JANUARY 22, 2002 AND JANUARY 28, 2002; THE REGULAR MEETING MINUTES FOR JANUARY 22, 2002; AND THE EXECUTIVE SESSION MINUTES FOR NOVEMBER 5, 2001, NOVEMBER 13, 2001, DECEMBER 3, 2001, JANUARY 7, 2002, JANUARY 22, 2002, AND THE JANUARY 28, 2002 (AS AMENDED). COUNCILMAN PETTYCREW SECONDED THE MOTION WHICH CARRIED 6/0.

Consent Agenda (Items 1-6)

1. REMOVED FROM THE CONSENT AGENDA FOR SEPARATE DISCUSSION. SEE PAGE 5

2. Action:

Santangelo's Italian Deli

To consider forwarding a favorable recommendation to the Arizona Department of Liquor Licenses and Control for a person transfer of a series 07 (beer and wine bar) state liquor license.

State License #07070380

City Case #92-LL-2001

Staff Contacts:

Jeff Fisher 480-312-7619, Email: jefisher@ci.scottsdale.az.us

Kurt Kinsey 480-312-5141, Email: kkinsey@ci.scottsdale.az.us

3. Action:

Eddie V's Edgewater Grill

To consider forwarding a favorable recommendation to the Arizona Department of Liquor Licenses and Control for a new series 12 (restaurant) state liquor license.

State License #12075052

City Case #93-LL-2001

Staff Contacts:

Jeff Fisher 480-312-7619, Email: jefisher@ci.scottsdale.az.us

Kurt Kinsey 480-312-5141, Email: kkinsey@ci.scottsdale.az.us

4. Action:

Ah-So at Scottsdale

To consider forwarding a favorable recommendation to the Arizona Department of Liquor Licenses and Control for a new series 12 (restaurant) state liquor license.

State License #12075050

City Case #94-LL-2001

Staff Contacts:

Jeff Fisher 480-312-7619, Email: jefisher@ci.scottsdale.az.us

Kurt Kinsey 480-312-5141, Email: kkinsey@ci.scottsdale.az.us

5. Action:

Ridge Cafe

To consider forwarding a favorable recommendation to the Arizona Department of Liquor Licenses and Control for a new series 12 (restaurant) state liquor license.

State License #12075053

City Case #95-LL-2001

Staff Contacts:

Jeff Fisher 480-312-7619, Email: jefisher@ci.scottsdale.az.us

Kurt Kinsey 480-312-5141, Email: kkinsey@ci.scottsdale.az.us

6. Action:

The Saguaro Forest at Desert Mountain

Request to consider approval of Map of Dedication

10-PP-2000#2

Staff Contacts:

Peter Deeley, Project Coordinator Manage, 480-312-2554, E-mail: pdeeley@ci.scottsdale.az.us

Jon Chase, Development/Quality Compliance Dir., 480-312-2578, jchase@ci.scottsdale.az.us

COUNCILMAN PETTYCREW MOVED TO APPROVE CONSENT ITEMS 2-6. VICE
MAYOR SILVERMAN SECONDED THE MOTION WHICH CARRIED 6/0.

ITEMS REMOVED FROM CONSENT AGENDA FOR SEPARATE DISCUSSION

1. Action:

Electrical Code Ordinance Adoption

To consider the formal adoption of the National Electrical Code, 1999 Edition, and adoption of Ordinance No. 3413, affirming the 1999 National Electrical Code.

Purpose:

To formally adopt the National Electrical Code, 1999 edition, as the electrical code of the City of Scottsdale.

Key Considerations:

- Update electrical requirements to latest standards and technology.
- Adopt common amendments with other cities which avoids the potential for conflicting codes and promotes safety for residents.
- This code edition and similar amendments have been adopted by the Cities of Phoenix, Tucson, Gilbert.
- Tempe, Glendale, Peoria, Cave Creek, Goodyear, Avondale, Litchfield Park, El Mirage, Surprise are scheduling adoption over the next 12 months.

Staff Contact:

David Potter, Building Official, 480-312-2532, E-mail: dpotter@ci.scottsdale.az.us

Mayor Manross opened public testimony since there was a citizen who wished to comment on this item.

Mark Bristow, 7332 E. Portland, explained that the National Electrical Code is published every three years. The fundamentals behind it are fire and personnel protection. He pointed out that in a few short months, the 2002 version of the code would be published. He urged the City to wait until the new version is released before adopting the new code formally.

Mayor Manross closed public testimony.

Jon Chase, Development Quality Compliance Director, explained that this action is a result of a task force involving communities throughout the valley. All the valley cities are adopting this code at this time to ensure uniform standards.

Councilman Ortega stated that an electrician working in Phoenix during the morning and Scottsdale during the afternoon would follow the same standards.

COUNCILMAN ORTEGA MOVED TO FORMALLY ADOPT THE NATIONAL ELECTRICAL CODE, 1999 EDITION, AND ADOPT ORDINANCE NO. 3413, AFFIRMING THE 1999 NATIONAL ELECTRICAL CODE. COUNCILWOMAN LUKAS SECONDED THE MOTION WHICH CARRIED 6/0.

Regular Agenda (Item 7)

7. Action:

To receive an update from the Smith Group/Piper Jaffray and city staff on development options and next steps for the Los Arcos revitalization, and to direct staff on future actions

Purpose:

On December 3, 2001, the City Council heard the results of the public outreach effort related to the potential options as outlined by the Smith Group/Piper Jaffray for the redevelopment of the Los Arcos Mall site. At that time, Council gave direction to pursue a hybrid option, including a town center, a small event center, and some big box retail uses.

The City's consultant team (Smith Group and Piper Jaffray) and staff will present the following to Council:

- Additional details of the various land use components (town center/event center/big box).
- A conceptual plan showing how these components could be integrated into the Los Arcos redevelopment project, along with an analysis of the planning implications and neighborhood impacts of this option.
- A financial analysis showing the overall economic and fiscal impacts of the project, and the likely range of City participation necessary.
- A discussion of the next steps needed to move this project forward, including land ownership, financial participation, and timing/phasing issues.

In recent days, the owner of the property (The Ellman Companies) has informally proposed a development plan for the former Los Arcos Mall site. This would entail the development of a "power center" with three big box stores. A discussion and analysis of this proposal, including the planning and neighborhood impacts, along with the financial considerations, will provide the Council with the opportunity to compare these options and consider future direction.

Key Considerations:

The redevelopment of Los Arcos is one of the community's highest priorities, and is seen as the focal point of efforts to revitalize the southern portions of the City. Specific policy direction from the City Council will enable staff to continue to move forward with efforts to facilitate the redevelopment of this critical project.

Staff Contact:

David B. Roderique, General Manager – Economic Vitality Department, 480-312-7989,
droderique@ci.scottsdale.az.us

Dave Roderique explained that this item is to continue discussions relating to redevelopment of the Los Arcos area. The process began last summer with the hiring of the City's consultants to look at feasible options that could take place on the site. Once the City understood what the City wanted to see on the site, the next step was to determine how to make that happen. He noted that the focus was on a community driven process rather than a developer driven process.

In June, the City hired the Smith Group and Piper Jaffray. The consultants conducted the analysis and presented their findings to Council in October. At that time, they presented four options. At

that time, Council directed staff to go out and conduct a significant public outreach program. Those findings were presented to Council in December. Based on the results of the outreach program, Council decided to move ahead with a hybrid approach of the options presented for redevelopment. The hybrid was to include a town center with a specialty retail component, a small event complex, and some big box retail development.

Part of the presentation tonight includes the additional information that Council requested during the last discussion. He reminded Council that the community wanted to see community amenities on the site. Other concerns included the design of the project, traffic and long-term sustainability. Some residents expressed a desire to minimize the City's participation and minimize the time to develop the site.

The public outreach also indicated that the strongest support of the various options was for the town center concept. Even though the town center included residential, the residential component received very mixed support.

Tom Stanberry, Piper Jaffray, reviewed the three components that were desired for the hybrid option and gave additional detail on each option along with a conceptual plan. His slide presentation and comments have been summarized below.

Big Box

Attributes

- *Multiple Large Anchors*
- *5:1 Surface Parking Ratio*
- *Regional Draw (several miles from their locations)*
- *Capitalizes on Major Thoroughfares (access to the site is very important)*
- *Traffic Impacts (have a dramatic impact)*
- *Maximizes Tax Revenues (are very high revenue producers per sq ft)*
- *Minimizes Public Investment*
- *Shortest Life Cycle (15-25 yrs; in contrast to other types of development)*
- *Least Supportive of Community Sustainability*

Potential Uses

Big Box Commercial - (assumed) 375,000 sf; 1,875 cars

- *Home Improvement Center*
- *Garden Center*
- *Large Discount Store*

Considerations

- *Ease of Access*
- *Large Scale*
- *Local Draw*
- *High Traffic Volumes*
- *Large Surface Parking Areas*
- *Not Pedestrian Friendly*
- *Difficult Community Connectivity*
- *Intermediate Life Cycle*

Events Center

Attributes

- *Events Venue gives premier address to Southern Gateway of Scottsdale*
- *Requires Structured Parking*
- *Shared-use Parking*
- *Regional Draw*
- *Traffic Impacts*
- *Extends hours of use*
- *Long Life Cycle*
- *Supports Community Sustainability*

Potential Uses

Small Events Venue – (assumed) 3,500 – 4,500 seats; 900 – 1,200 cars

- *Aquatic Center*
- *Sports Venue*
- *Music Venue*
- *Conventions*
- *Specialty Retail*

Considerations

- *Ease of Access*
- *Multiple Uses*
- *Pedestrian Friendly*
- *Architectural Character*
- *Local & Regional Draw*
- *Traffic Impact (high traffic volume)*
- *Structured Parking*
- *Surface Parking*
- *Community Connectivity*

Town Center

Attributes

- *Mixed-use Lifestyle Retail with Residential*
- *Increases Community Residential Values*
- *Neighborhood focus and compatible scale*
- *Complete mix of Residential building types and prices ranges*
- *Low Traffic Impacts*
- *Requires most Public investment (and usually for a period of time since tenants "turnover")*
- *Longest Life Cycle*
- *Most supportive of Community Sustainability*

If there were to be a residential component in this option, it would not be in Phase I for purely economic reasons.

Potential Uses

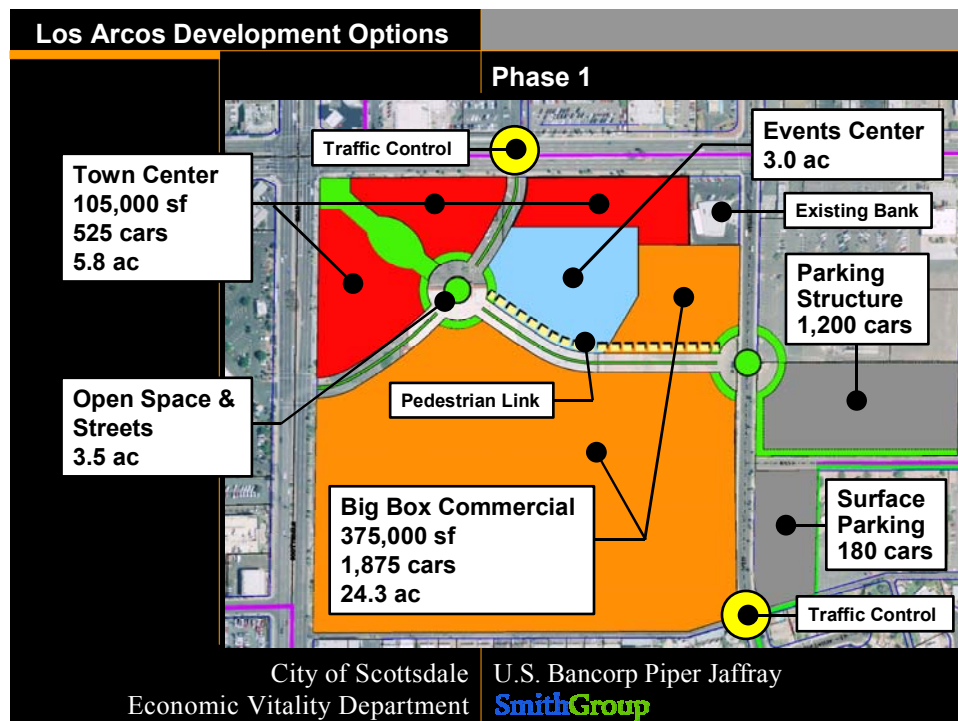
Small Town Center -- 2 & 3 Levels; 105,000 sf; 525 cars

- *Neighborhood Retail*
- *Supermarket*
- *Pharmacy*
- *Office / Retail / Services*
- *Restaurants / Fast Food*
- *Open Space*

Considerations

- *Ease of Access*
- *Multiple Uses*
- *Medium Scale*
- *Architectural Character*
- *Local Draw*
- *Surface Parking*
- *Traffic Impacts - low*
- *Pedestrian Friendly*
- *Community Connectivity*
- *Longer Life Cycle*

Conceptual Plan



Development Summary

- | | | |
|-----------------------------|---------|----------------------------|
| • <i>Commercial Big Box</i> | 24.3 ac | 375,000 sf |
| • <i>Parking</i> | | 1,875 spaces |
| • <i>Open Space</i> | | 3.5 ac NA |
| • <i>Revenue</i> | | Annual Sales \$160,619,195 |

Financial Evaluation - Events Center Component

Development Summary

| | | |
|---------------------|----------|---------------------|
| •Event Center | 3.0 ac | NA |
| •Structured Parking | 3.74 ac | 1,200 spaces |
| •Surface Parking | 1.59 ac | 180 spaces |
| •Revenue | \$4.5 MM | avg. annual revenue |

Financial Evaluation - Town Center Component

Development Summary

| | | | |
|---------------|------------------|--------------|------------|
| •Commercial | Specialty Retail | 5.8 ac | 105,000 sf |
| Parking | | | 525 spaces |
| •Office | To Be Determined | | |
| •Revenue | | | |
| Annual Sales | | \$32,100,000 | |
| Rental Income | | \$2,625,000 | |

Financial Evaluation - Summary Phase 1Financial Evaluation

| | | |
|--------------|-----------|------------|
| Commercial | 30.1 ac | 480,000sf |
| Event Center | 3.0 ac | |
| Open Space | 3.5 ac | |
| | <hr/> | |
| TOTAL | 36.6 ac | 480,000sf |
| Parking | Structure | 3,075 |
| | Surface | <u>705</u> |
| TOTAL | | 3,780 |

Financial Evaluation - Summary Phase 1

| | | | |
|--|---------------------------|--------------|--|
| Revenue (estimated) | | | |
| Annual Sales | \$192,720,000 | | |
| Rental Income | \$2,625,000 | | |
| Events Center | \$4,500,000 (avg. annual) | Annual Taxes | |
| Generated (estimated)Property - City share | \$156,000 (avg. annual) | | |
| Excise - pledgable | \$3,820,000 (avg. annual) | | |
| Excise - non-pledgable* | \$1,913,000 (avg. annual) | | |
| *Preservation and Transportation | | | |

Financial Summary

1.Key financial drivers

- Land cost per square foot
- Parking Structure costs
- Property Taxes
- Excise Taxes on Revenue and Rent
- Events Center revenue

2.Property taxes

- Will generate \$1.6 MM in bond proceeds

3.Excise Taxes and Events Center revenue

- Will generate \$48 MM in bond proceeds using City's Municipal Property Corporation

4.Financing "Gap"

Next step..

- Once we have a community direction on the type of development, we will begin work on HOW to make this happen:
 - Property ownership issues
 - City financial participation
 - Develop
 - Timing/Phasing

Options re: Ownership Issues

- Work w/ existing owner(s) to induce desired development through zoning and/or financial incentives
- Provide incentives to other developers to acquire the property
- Purchase property at fair market value
- City takes no action -- wait until the owner(s) decide to sell or develop, or until market conditions are more advantageous for development

City Financial Participation

- Sales tax rebates (local tax increment)
- City property tax rebates
- Waiver of permits and/or fees
- Use of GPLET abatements (prop. tax)
- General Fund
- Capital Improvement Funds
- City Assessment District or MPC Bonds

Development Issues

- Individual property owners develop own parcels
- Master developer for entire site
- If City owns property, how would we develop it – RFP for one or more developers, sell, ground lease, etc.?
- Timing and phasing of improvements
- Level of City involvement

Other issues to be considered include the possible relocation of the bank on the south-west corner of the intersection of 74th Street and McDowell, the possible abandoning of 74th Street or limiting traffic on it, and if some component of the southeast corner of 74th Street and McDowell should be incorporated into Phase I of the redevelopment.

Mr. Stanberry noted that under the basis that the Ellman Companies are working, if the City contributes 100% of the property and excise taxes and the revenue from the events center for 20 years towards this plan, the gap would be \$33 million that would be needed.

Dave Roderique pointed out that copies of the presentation will be available on the City's website at www.ci.scottsdale.az.us under Los Arcos update.

In response to questions from Mayor Manross, Mr. Stanberry explained that he understands the Ellman Companies have approximately \$56 million invested in the property at this time. This equates to approximately \$31 per square foot. He estimated the current value of the land anywhere from \$11 sq. ft. to \$16 sq. ft. depending on the individual parcels and uses. He

cautioned Council that he is not an appraiser so his figures pertaining the value of the land are only estimates.

Councilman Pettycrew requested confirmation that the proposed plan would leave the preserve and transportation tax untouched. Mr. Stanberry confirmed that the original arena plan included a transportation center, thus the transportation tax was always included in the revenue but would not be in this plan.

In response to questions from Mayor Manross, Mr. Stanberry explained that many cities own event centers. In many cases when a non-profit entity is created, the agreement for the City subsidy is that the excess revenue flows back to the City. Whether the City owns the facility or is an active partner in the development, the City would need to tap into the excess revenue after operations, debt-service, and the equity investors have been paid off. He noted that there are ways of doing that without the City being required to own the facility.

Mayor Manross opened public testimony.

Dana Centrella, 303 W. Orangewood Avenue, stated that this redevelopment is a great opportunity for the City. He distributed a written statement (copy attached) proposing that a premier bowling alley be constructed on the location, which would attract bowlers from around the country. He explained that the bowling alley could be built either on a large scale or smaller scale. He displayed a picture of a bowling alley in Reno, NV, which generates income for the community from bowling tournaments. He explained that the building itself could be a source of pride in the community.

Curt Smith, 9815 N. 86th Street, explained that he is the developer of McDowell Mountain Ranch. He stated that he has been active in the City and is excited about the plan to redevelop Los Arcos. He felt it is time that the City aggressively pursue a redevelopment strategy for this property. He explained his frustration stemming from the inability of the City and the developer to reach agreement on a plan. He pointed out that once again, he sees the planners taking sides rather than working together for a project in the best interests of the entire community. He stated his opinion that the process taken by City, members of City Council, the landowner and his representatives over the past few years has been inactive and very divisive. He felt that it is time to work together in an open environment to come up with a plan that is viable for the landowner and for the City as a whole. He urged the participants to work together to devise a plan and to set a reasonable timeframe ranging from 90-180 days.

Steve Ellman, 4040 E. Camelback, spoke as the owner of the property. He noted that today we are on the verge of redevelopment and revitalization of Los Arcos. He stated his commitment to work with the City and public to implement the plan that would result in a timely development that the community will benefit from, would serve the needs of the local residents, and achieve financial objectives. Los Arcos revitalization isn't new to anyone. It was brought before Council in 1984 for study. Today Los Arcos has taken on its own life with various articles written about it in the local newspapers. He felt that the ability exists today to truly begin the revitalization process for the southern Scottsdale area. Future delays would mean failure since now is the time for action. Collectively working together, he stated his optimism that something good will happen on the site. He stated his opinion that it is truly time that all political agendas are set aside since the entire process needs to be non-partisan. He noted that each Council member has made the revitalization of Los Arcos a top priority; however, may share a different view of what it should be. Whatever is built must be marketable to the tenants, compatible with adjacent uses,

and serve the needs of the local residents. During the past several months, his company has worked to design a project that he hopes will meet the planning objectives of the majority of local residents and Council. He listed the objectives that were incorporated into their designing process. The objectives include: 1) No property would be condemned since everything built will be on the 42 acres his company owns. This also includes the decision not to abandon 74th Street. 2) All buildings will be constructed within the current height limitations existing in the City. 3) All retail stores will have visibility and adequate parking. 4) The development will feature neighborhood services and most importantly, grocery, home improvement, general retail, and an assortment of neighborhood shops. 5) The development will feature upgraded landscaping, pedestrian areas, physical and visual linkages to adjacent retail properties, and the opportunity for a distinctive gateway feature. 6) The development will create new jobs. It will maximize the sales tax for the City. He noted that with the tenants his company has in mind, first year's sales of approximately \$200,000,000, which will help strengthen all business in the local area. 7) The project will be the start of the revitalization of the core area allowing the City, if it so chooses, to expand revitalization to adjacent properties. He noted that his plan does not include an events center since it is their belief that it would seriously compromise planning objectives. He stated that this does not say that an events center couldn't be built on an adjacent property. He explained that his company has signed no agreements with retailers since there is currently no agreement with the City of Scottsdale. Over the last few weeks, his representatives have met with City representatives to discuss the general elements of his plan. He noted that his company had intended to release the plan to the public last week but chose to cancel the release out of respect for Council, staff, and the City's consultants until his company had a chance to review and comment of the City's proposal. He stated that his company received a preview of the proposal this morning. He explained that his company shares the same concerns regarding the City's design as the consultants themselves pointed out. The Ellman Companies view the revitalization of Los Arcos as a 92-acre parcel although they only own 42 acres; therefore, an events center could be built on an adjacent parcel. He offered his company's participation in the process 24 hours a day, seven days a week to work with Council, City consultants, staff to reach a common agreement on a site plan and achieve an economic model that everyone can sign off on, and to agree on a City investment. He proposed that all the participants work together over the next two weeks when his company will present their plan to Council at a public meeting. He expressed his desire to have Council vote on their plan at that time. He recommended that a definitive agreement between the Ellman Companies and the City be voted on no later than 21 days following the adoption of the memorandum of understanding. He stated his desire to see Council vote unanimously to allow the first phase of the revitalization of the area. He asked Council to direct staff and consultants to begin working with his company starting tomorrow morning. He urged Council not to tie their hands or impose restrictions on their work so both sides can work together to find a plan that everyone can work with.

Bruce A. Steele, 7426 E. Moreland, stated that he lives close the political battleground known as Los Arcos. He stated his belief that the area cannot take much more "neighborhood protection". He felt the study, which conducted was worthless and that no more studies are necessary. Now that the owner of the property has brought a plan that the neighborhood supports, the City is posturing instead of welcoming the opportunity. He strongly urged Council to act even if it does cost the City a few bucks. He stated that now is the time for the City to step up and do something good for the southern part of the City.

Darlene Petersen, 7327 E. Wilshire, explained that she has lived in the City for close to 44 years. She stated that it is time for Council to put aside all the pettiness and think of the good of the residential area. She stated that the residents of the area were happy to have an advocate in

George Zraket who felt that the arena didn't belong in a residential area. She found it interesting that the Smith Group is now looking at 42 acres when they had originally been looking at 72 or 92 acres. She stated her opposition that City staff developed the questions for the survey instead of the Smith Group, which was being well paid for their services. She felt the survey was a waste of taxpayer money and time especially since Mr. Ellman has come forth with a plan. She noted that the neighbors have been asking for a movie theater, home improvement store, or a Wal-Mart store even before Broadway and Sears left. She stated her support of the project being built within the height specifications of the City and liked the fact that no condemnation would be used. She felt Mr. Ellman's plan sounded interesting and warrants consideration since it is time the City works for the citizens.

Mark Bristow, 7332 E. Portland, expressed his belief that no one has found any reason why the City shouldn't consider Mr. Ellman's plan. He discussed each issue individually and the reason why each issue should be disregarded. He stated that he didn't really care for the event center concept anyway since the City would have to invest heavily in the project for a long period of time.

Wayne Ecton, 7805 E. Shooting Star Way, stated that he met with residents of the Los Arcos area today to talk about the revitalization and the Ellman plan. He pointed out that there is deep resentment regarding the lack of progress. He stated that there is no objection to a limited number of big box ticket items locating on the site; however, the citizens want multi-use types of facilities. He encouraged Council to move ahead with planning and negotiations. He stated his belief that the City's consultants don't have the right factual information at this time. He urged Council to put their personal feelings aside to find the right solution for the Los Arcos area.

Tom Jelinek, 7425 E. Culver St., explained that he has served as pastor of the United Methodist Church in Scottsdale for the past 3½ years. He stated that his congregation continues to look forward to the revitalization of the area. He stated his desire to encourage and anticipate in the process. He expressed concern that the visibility, parking, and access of the church be preserved.

Bob Vairo, 10040 E. Happy Valley Road, #4J1, spoke as a representative of the Coalition of Pinnacle Peak (COPP). He noted that the coalition has supported the revitalization of the area at the beginning; however, opposed the arena since it wasn't supported by the local residents and it would have taken a significant amount of taxpayer money. He stated his confusion over the reaction to the Ellman plan by Council. He explained his belief that the City needs a project where there will be less City investment, no condemnation, within building heights, with first class tenants wishing to locate at the property. He expressed his desire to see Council move forward to make this plan work. He urged Council to listen to Mr. Ellman to see if the plan fits the area. He felt the City didn't need any more consultant reports and felt the City must move forward quickly since it is time to act.

Marion Murray, (no address given), explained that she lives in central part of Scottsdale and supports local businesses. She stated that she could easily drive to McDowell to shop if big box stores would locate in the area. She expressed her opinion that the City needs an investment in the area. She noted that citizens will never totally agree on the store selection but the general well being of the citizens and its long established section must be primary with esthetics being a close second. She pointed out an editorial in the Tribune which printed that some Council members rejected the Ellman plan simply because Councilman Zraket supports it. She stated her opinion that Councilman Zraket is not the issue. She expressed her belief that further studies or politics do not serve the City. She said that citizens need and deserve respect.

Bud Sampson, 13108 N. 76th St., explained that he lives in Scottsdale and owns business property in the Los Arcos area. He stated his desire to see something happen in this area now. He urged Council to move quickly so a new Council won't have to deal with this issue later.

Lyle Wurtz, 6510 E. Palm Lane, expressed his belief that Council candidates have already broken their promises. He stated that it is important for Council to be independent thinkers but also be team members. He questioned why Piper Jaffray is still involved as a consultant since he felt they had a conflict of interest. He also questioned why the Smith Group was hired while City staff wrote the survey questions. He noted that although he attended several meetings, he was never asked if he supports the arena concept. He urged the Council to examine all proposals and let free enterprise prevail.

Bob Littlefield, 31085 N. 72nd Place, pointed out that the entire community is in agreement that the revitalization has been handled poorly and that something needs to be done. He cautioned the Council that it would be a huge mistake to judge Mr. Ellman's proposal based on the conclusions of the Smith Group and Piper Jaffray's study. He felt the study results are flawed because it was done without the input of the owner and because the study was staff driven. He expressed his opinion that there is only one viable plan on the table: the Ellman plan. He explained that his fear is that the plan will never be given a full hearing. He stated that the community demands leadership and action.

Rick Kidder, 7543 E. Pleasant Run, spoke as a representative of the Scottsdale Chamber of Commerce. He stated his belief that the events of the past have some value since the current proposal is the direct result of the last disastrous process. He felt the arena was under minded piece by piece; thus, the Ellman Companies are seeking a new approach. Unfortunately, the new plan was developed without the knowledge of their original supporters and well outside public scrutiny. He stated that a bad process is what got us into the last mess and felt it should be a good process that saves the City from another Los Arcos embarrassment. Consideration of the new proposal from the Ellman Companies should be a matter of good process. He stated that a pre-election end game to create Los Arcos heroes out of the previous "nay sayer" may serve the "nay sayer" well but the taxpayers need assurances that their investment is worthy, that their future is protected, and that their investment will, in fact, serve as the gateway to the City.

Marilyn Armstrong, 6608 E. Wilshire Dr., stated that she has lived in the City for 37 years within a few miles of the Los Arcos Mall. She explained that she is a neighborhood advocate. She explained that she was sad when the arena went away. Although she remains unconvinced that the new plan would work, she is well aware of how the loss of the businesses in the area impacted the neighborhood. She stated that tonight's proposal worries her since she sees nothing unique. She stated her desire to see a comprehensive project that would restore and revitalize the area. She asked the City to take the time to do it right.

Lida Stewart, 2627 N. 74th Place, explained that she is a 35-year resident. She stated that citizens received a ray of hope last week and felt it was interesting that it would come from Mr. Ellman. She explained that she is sick of seeing the empty land at Los Arcos when it could be bringing money into the City with profitable businesses located there. She stated that the neighborhood is desperate for commercial businesses. She urged Council to stop the posturing and get down to business by working with Mr. Ellman.

Irene Ingham, 320 N. 73rd St., explained that the neighbors are now fighting with Mr. Ellman. She felt he has a good plan although she has not seen all the details. She stated that she participated in every public meeting and still doesn't know where the support came from for the events center. She urged the Council to move forward and build what the people in the community want on the site.

Tim Montgomery, 34894 N. 92nd Place, spoke as a representative of People First 2002. He pointed out that thus far this evening, there were only two dissenting opinions while everyone else stated their support of Mr. Ellman's plan. He read an article that appeared in this week's Business Journal regarding the City's business environment. The article stated that the City has one of the lowest vacancy rates for businesses in the valley. He suggested that the revitalization might include some office space as well as the other components being considered.

Virginia Korte, 8222 E. Gail Road, stated that she has worked on Los Arcos solutions for over 10 years. She stated her belief that all of her efforts as well as the community efforts have been of value. She felt the 21-day timeframe from a Memorandum of Understanding to a Redevelopment Agreement would be aggressive. She cautioned the City to make sure due process is observed since a large amount of taxpayer money is involved.

Sharon Morgan, 7304 E. McKinley St., noted that she lives in the neighborhood south of Los Arcos. She asked Council to look at Mr. Ellman's plan for Los Arcos. She questioned how much the City is willing to pay to revitalize the southern part of the City. She expressed her interest in having a safe neighborhood, working together to build a viable project, and economic growth of the area. She pointed out that the current Ellman proposal achieves the goals that the community had in mind with the redevelopment in the first place. She stated that opportunity is knocking and urged Council to answer.

Lois Fitch, 1229 N. Granite Reef Road, explained that she was thrilled when the arena was proposed and the public had an opportunity to vote on it. However, when she saw the plan, she was disappointed since it didn't seem to fit the area. She explained that she always believed that the area would be revitalized in a way that it would serve the community. She stated her support of the new plan since it seems like it would meet the goals of the community and bring neighbors together again. She recommended that Council support Mr. Ellman's plan.

Christine Erlandson, 7923 E. Hubbell Street, stated that she and her husband own a business along Scottsdale Road. She felt the arena plan was much better for the area since the new plan is typical and can be seen anywhere. She felt that the City must think of the future and ensure the City would have the ability to bring people to the area. She stated her opinion that the City needs a fresh idea for the revitalization.

Norwood Sisson, 7431 E. Portland, expressed delight in seeing some movement on the Los Arcos revitalization. He stated his opposition of the old plan since the arena would have brought large crowds to the area with buildings exceeding the City height limitations. He explained that the zoning for the area is commercial. The land use in the Los Arcos Redevelopment plan is also commercial. Although he likes the commercial aspects of the plan, he cautioned the City to be very careful how they would subsidize the project and proceeded to read from the Arizona Constitution referring to subsidies (Article 9 Section 7).

Charles Poston, 8550 E. Bonita Drive, stated that it is encouraging that Mr. Ellman owns 42 acres and wants to work with the City. He asked Council to put aside petty politics and respect Mr. Ellman's ideas to move this project forward for the people of Scottsdale.

Tamara Hartrick, 7251 E. Garfield St., explained her belief that the plan the consultants presented looks a lot like the plan Mr. Ellman presented before. She stated that the local residents do not want that type of plan. She urged Council to keep an open mind about the latest proposal since it gives the local residents what they want.

Mayor Manross closed public testimony.

Mayor Manross explained that the majority of Council has not seen Mr. Ellman's plan. Council members have spent many hours speaking with Mr. Ellman regarding the concept although financial or business aspects of the plan have not been presented. The Ellman Companies met with staff to develop the original alternatives from which the Council worked. Every step of the way for the past several months, Council has worked unanimously.

Mayor Manross noted that the Ellman Companies also met with the City's consultants when the City shared the market feasibility study and community input with them. The City's consultants also met with representatives of the Ellman companies over the last few weeks and as late as this morning. She noted that there is a meeting planned for tomorrow morning also.

She stressed that the City must have a very open public process when considering any plan for the area. Due diligence is very important when considering the most appropriate plan for the area and the City's investment in the project. She noted that some members of the Council expressed a desire to move forward within 10 days; however, that timeframe wouldn't allow the City to put together an appropriate response in that timeframe.

Councilman Pettycrew explained that Council learned two weeks ago that there was a plan out there. He assured citizens that his first reaction to the news of a new plan was to tell the Ellman Companies that politics should not be involved in the decision. The decision should be based on what is best for the community. He stressed it was his belief that some components of the plan would be good for the area and needed to be considered. Having said that, the Council was not provided with financial information as of yet. He noted that the votes he cast in favor of the arena were actually for the Redevelopment Agreement which was never completed. He stated that the new Ellman plan has some very good possibilities in it. The next step is to be creative and unique when proceeding. He felt the area redevelopment must be a catalyst for the area that would stimulate growth in the area. He stated that his commitment has always been to do what is best for the community without any personal agendas. He explained that the area also needs long-range planning whereas the other landowners in the area need to be invited to participate in the process.

Councilwoman Lukas pointed out that no one wants to revitalize the area more than she does. She stated that she supported the arena because she felt that is what the majority of the voters wanted. She explained that in the past, she has said that revitalization of Los Arcos should be the City's priority and she noted that she hasn't changed her mind. She stated that she still believes the City must invest heavily in the area. She said her vision is the same as the citizen's vision. She referred the survey indicating that the majority of citizens support the town center concept. She also stated her support of a distinctive project; one that would be a gateway to the community. The goals of the neighborhood must be kept in mind when considering any plan for

revitalization. The redevelopment must be a catalyst and not a drain on the current businesses of the area. She explained that the City must take the time to look closely at any proposals and try to mitigate the negative impacts. She pointed out that Mr. Ellman requested that political agendas are set aside. She stated that Mr. Ellman and several Council members have made the current proposal a political issue. She requested that Mr. Ellman and various Council members do the same.

COUNCILWOMAN LUKAS MOVED THAT THE CITY COUNCIL SUPPORT THE LAND USE PLAN FOR LOS ARCOS THAT WAS PRESENTED THIS EVENING BY THE SMITH GROUP AND DEVELOPED THROUGH THE INVOLVEMENT OF THE CITIZENS OVER THE LAST SEVERAL MONTHS AND FURTHER MOVE THAT COUNCIL DIRECTION TO CITY STAFF AND MR. STANBERRY (PIPER JAFFRAY) TO MEET WITH REPRESENTATIVES OF THE ELLMAN COMPANIES TOWARD A VERSION OF THE PLAN THAT WOULD BE FINANCIALLY VIABLE, IN THE CITY'S BEST INTERESTS, AND MEETS THE CITY'S LONG TERM OBJECTIVES FOR SUSTAINABILITY AND REVITALIZATION OF THE MCDOWELL AND SCOTTSDALE ROAD CORRIDORS. COUNCILMAN PETTYCREW SECONDED THE MOTION.

Councilman Ortega explained that the report from Piper Jaffray was presented tonight. The study was a result of the initiative that City Council took when the project was stagnant. From that point, the Council was able to give direction in December. Today, we are looking at that analysis although it has some difficulties. He explained that he just received the information around 2:30 this afternoon. He stated that everyone is concerned about the revitalization effort and is interested in putting the best interests of the City first when considering options.

Councilman Ortega pointed out that the details of Mr. Ellman's plan are yet to be presented. He stated his agreement to many of the basic points of the plan but cautioned that no details are available at this time. He questioned Mr. Ellman to see if any numbers were available yet that Council could review.

Mr. Ellman explained that it was the general consensus of Council that he not submit his plan this week until it was reviewed by the City and he had the opportunity to work with consultants and staff over the next 7-10 days to come up with a plan. He felt it was unfair to say that he hasn't submitted a plan. No financial figures are available at this time since his staff must have time to work with the City to work out details of a mutually acceptable plan.

Mr. Ellman further explained that everything Councilman Pettycrew said is consistent and straight forward. This morning, he met with staff and outside consultants. It was mutually agreed that the process was far enough along that an agreement could be reached within the next 7-14 days. He stated that he has an MOU (Memorandum of Understanding) and a draft Redevelopment Agreement prepared and ready to deliver to the City.

Mr. Ellman clarified that his company has never worked on the Smith Group plan. His company has not been involved in the process at any time. The first time he had a meeting with the Smith Group was on January 18. The plan, which was presented to him this morning, was completely different than the plan that they last saw.

He explained that the required subsidy is a factor of the density of the development that the City would allow on the site. The less dense, the more subsidy would be needed. He noted that he

proposed to work with staff and the City's consultants over the next two weeks. At that time, he would present a plan that everyone could agree upon.

Councilman Ortega pointed out that he didn't expect exact numbers and only wanted to see whatever information would be available. He asked when the financial information would be available.

Mr. Ellman explained that he did not submit his plan per Council's request; therefore, he isn't asking for anything tonight except authorization for staff and the City's outside consultants to meet and negotiate with his company over the next two weeks regarding his proposal.

In response to questions from Mayor Manross, Mr. Stanberry explained that when considering the cost of the project, he started from what the Ellman Companies had told them their cost basis was (approximately \$56 million). The consultants then worked through the estimated cost of constructing the various retail components and parking. The proceeds that would be received from sales of the pads were subtracted from that amount. They then looked at the amount of property and excise tax that would be generated that could be used to pay debt service on an improvement district bond. They then looked at the amount of revenue that would be generated by the events center to arrive at a number, which was the \$33 million gap between total project costs and total sources of revenue to pay for the project. He pointed out that to construct the project, all financial resources would have to be available on day one. He stressed that the figures do not include the cost of building the event center.

Mr. Stanberry cautioned the City that the proposed projects would need to be considered on different levels including: 1) risk to the City or to the developer, and 2) level of investment the City is willing to make. He explained that the proposed cost of the Ellman Companies proposal is about \$90 million. With the square footage of the big box retail and the specialty retail, it would generate enough property taxes to sell about \$1.9 million of improvement district bonds and enough excise taxes to sell about \$39 million of excise tax bonds. Assuming that all the big boxes are pad sales, there is a gap of between \$8-9 million. Again, Mr. Stanberry cautioned Council that these numbers could easily change since a formal proposal has not been presented.

Mr. Ellman explained that he is here to work with the City. It was his belief that the City has nothing to lose in authorizing staff and City consultants to allow the Ellman Companies to try to complete a deal in the two-week timeframe. If the deal is not ready in two weeks, the Ellman Companies will ask for an extension. He stressed that he is at the meeting in a cooperative spirit with the desire to complete the redevelopment.

Councilman Silverman questioned the motion on the table since it was his belief that Council should not specify one plan over the other. He pointed out that the Smith Group plan had serious issues to be resolved. He noted that as the motion is stated, he could not support it. He stated that the motion should direct staff to work on the best plan possible.

Councilwoman Lukas noted that the motion would provide a starting point to move forward. Councilwoman Lukas amended her motion, which was accepted by the seconder.

COUNCILWOMAN LUKAS MOVED TO DIRECT CITY STAFF AND MR. STANBERRY TO MEET AND NEGOTIATE WITH REPRESENTATIVES OF THE ELLMAN COMPANIES TOWARDS A VERSION OF A PLAN BASED ON THE CITY'S PLAN AND THE ELLMAN PLAN.

Councilman O'Hearn expressed concern that he cannot see any positive outcome of Council moving on anything tonight. He suggested that he could not support any motion that restricts the City's team.

In response to Council's concerns, Councilwoman Lukas amended her motion again which was accepted by Councilman Pettycrew as the seconder.

Councilman Ortega noted that instead of eliminating options at this time, he would like to add options; thus, it is important to keep an open mind during the review process.

COUNCILWOMAN LUKAS MOVED TO DIRECT CITY STAFF AND MR. STANBERRY TO MEET AND NEGOTIATE WITH REPRESENTATIVES OF THE ELLMAN COMPANIES TOWARDS A PLAN THAT CAN ACCOMPLISH FINANCIALLY VIABLE DEVELOPMENT FOR LOS ARCOS AND MEET THE OBJECTIVES OF LONG-TERM SUSTAINABILITY AND REVITALIZATION.

Councilman O'Hearn noted that he could support the motion if the motion stopped after Los Arcos.

Councilwoman Lukas amended her motion once again before the vote was taken.

COUNCILWOMAN LUKAS MOVED TO DIRECT CITY STAFF AND MR. STANBERRY TO MEET AND NEGOTIATE WITH REPRESENTATIVES OF THE ELLMAN COMPANIES TOWARDS A PLAN THAT CAN ACCOMPLISH FINANCIALLY VIABLE DEVELOPMENT FOR LOS ARCOS. COUNCILMAN PETTYCREW SECONDED THE MOTION WHICH CARRIED 6/0.

PUBLIC COMMENT - NONE

CITY MANAGER'S REPORT - NONE

MAYOR AND COUNCIL ITEMS - NONE

ADJOURNMENT

With no further business to discuss, Mayor Manross adjourned the meeting at 8:50 P.M.

SUBMITTED BY:

REVIEWED BY:

Ann Eyerly, Council Recorder

Sonia Robertson, City Clerk

C E R T I F I C A T E

I hereby certify that the foregoing Minutes are a true and correct copy of the Minutes of the Regular City Council Meeting of the City Council of Scottsdale, Arizona held on the 5th day of February 2002.

I further certify that the meeting was duly called and held, and that a quorum was present.

DATED this _____ day of February 2002.

SONIA ROBERTSON
City Clerk